



**VIRINCHI
TECHNOLOGIES
LIMITED**
(Formerly, Virinchi Consultants Limited)

15th Annual Report

2003-2004

Board of Directors

Chairman & Managing Director

Mr. K. Viswanath

Directors

Datuk Santha Kumar S.
Datuk Kunasingam Sittampalam
Mr. K VSN.Kumar
Mr. K S K Prasad
Mr. Jagadish K.Rao
Mr. Premchand Krishna Rao
Mr. K. Jagan Mohan Rao

Bankers

Canara Bank, Overseas Branch, Hyderabad
Oriental Bank of Commerce
(previously Global Trust Bank Limited, Secunderabad)
ICICI Bank Limited, Hyderabad
Indian Overseas Bank, Secunderabad
Bank of Baroda, Hyderabad

Auditors

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3,
Somajiguda,
Hyderabad - 500 082.

Registrars & Share Transfer Agents

M/s. Aarthi Consultants Pvt. Ltd.,
1-2-285, Domalguda,
Hyderabad - 500 029
Ph Nos.27634445,27638111
Fax No.27632184

Shareholders' Information

Registered Office and Development Centre:

10, SRK Colony,
West Marredpally,
Secunderabad - 500 026
Ph Nos.27803608, 27803610
Fax No.27803612

Corporate Office :

A-1, 3rd Floor, Surabhi Plaza,
Vikrampuri Colony,
Secunderabad – 500 009
Ph Nos.27890662-65
Fax No.27890669

Listing

The Hyderabad Stock Exchange Limited
The Stock Exchange, Mumbai

Book Closure

24.09.2004 to 29.09.2004 (both days
inclusive)

Date, Time and Venue of AGM

29.09.2004, 11.00 A.M.
at Padmashali Kalyana Mandapam,
2-12-66, Nehru Nagar, West
Marredpally, Secunderabad – 26

NOTICE

NOTICE is hereby given that the 15th Annual General Meeting of the Members of the Company will be held on Wednesday, the 29th day of September, 2004, at 11.00 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad – 500 026 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2004, Profit and Loss Account for the financial year ended as on that date and the Report of the Directors and of the Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Datuk Santha Kumar who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Datuk Kunasingam Sittampalam who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

6. To consider and if thought fit, to pass with or without modification (s), the following Resolution as an Ordinary Resolution:

“RESOLVED THAT Sri K. Jagan Mohan Rao who was appointed as an Additional Director of the Company, who holds office under Section 260 of the Companies Act, 1956, up to the date of the ensuing Annual General Meeting and in respect of whom the Company has received notice in writing proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To consider and if thought fit, to pass with or without modification (s), the following Resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:

After Article 7 of the Articles of Association the following new Article 7A shall be inserted, namely;-

Issue/grant of shares/options to employees under Employees Stock Option Schemes:

“7A. Subject to the provisions of these Articles and in accordance with the provisions of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for the time being in force and any modifications thereof from time to time and Section 79A or other applicable provisions, if any, of the Companies Act, 1956 and of various other laws governing the issue, the company may issue equity shares, and/or equity linked instruments and/or any other instrument or securities or grant options convertible into equity shares under a Scheme or Plan as may be framed in this regard or through a trust set up for this purpose or otherwise to the employees of the company or such other persons entitled thereto”.

8. To consider and if thought fit, to pass with or without modification (s), the following Resolution as a Special Resolution:

“RESOLVED THAT in accordance with the provisions contained in the Articles of Association of the Company and the provisions of Section 81 (1A) and such other provisions of the Companies Act, 1956 (“the Act”) as may be applicable, in accordance with the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (“the Guidelines”), for the time being in force and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee including ESOS Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution), consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person (s) who are in permanent employment of the Company, including Directors of the Company, whether whole time or not, whether working in India or out of India under a Scheme titled “VIRINCHI EMPLOYEE STOCK OPTION SCHEME” (hereinafter referred to as the “VESOS”) or such other name as may deem proper, such number of equity shares and/or equity linked instruments (including Options) and/or any other instrument or securities (hereinafter collectively referred to as “Securities”) of the Company which may result into the issue of equity shares not exceeding 5% of the paid-up capital of the company of the face value of Rs. 10/- each, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the applicable provisions of the law or guidelines as may be prevailing at that time.

RESOLVED FURTHER THAT the said Securities may be allotted directly to such employees/directors or in accordance with a Scheme framed in that behalf or through a trust which may be setup in any permissible manner and that the scheme may also envisage for providing any financial assistance to the employees or to the trust to enable the employee/trust to acquire, purchase or subscribe to the securities of the Company.

RESOLVED FURTHER THAT the new Equity Shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company, except that they shall be entitled for dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new Equity Shares are allotted.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities, the Board be and is hereby authorised on behalf of the Company to evolve, decide upon and bring into effect the Scheme and make any modifications, changes, variations, alterations or revisions in the said Scheme from time to time or to suspend, withdraw or revive the Scheme from time to time as may be specified by any statutory authority and to do all such acts, deeds, matters and things as it may in its absolute discretion deem fit or necessary or desirable for such purpose and with power on behalf of the Company to settle any issues, questions, difficulties or doubts that may arise in this regard without requiring the Board to secure any further consent or approval of the members of the Company.”

BY ORDER OF THE BOARD

PLACE : HYDERABAD
DATE : 25-08-2004

K.VISWANATH
CHAIRMAN & MANAGING DIRECTOR

NOTES

- a) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such a proxy need not be a member of the company. Proxies in order to be effective must be filed with the company not later than 48 hours before the commencement of the meeting.
- b) The relevant Explanatory Statement in respect of the Special Business set out above, as required by Sec.173 (2) of the Companies Act, 1956 is annexed hereto.
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 24th September, 2004 to 29th September, 2004 (both days inclusive).
- d) Dividend, if declared, will be paid to those shareholders, whose names appear on the Company's Register of Members as on 29th September, 2004. Dividend Warrants are scheduled to be posted on or after 4th October, 2004. Dividend Warrant is valid for payment by the Company's Bankers for Three Months from the date of issue. Thereafter, please contact our share registrars, M/s. Aarthi Consultants Pvt Ltd, 1-2-285, Domalguda, Hyderabad –500029 for revalidation of the warrants.

You are advised to encash your dividend warrants immediately as the dividend amount remaining unclaimed / unpaid at the expiry of 7 years from the date that becomes due for payment are required to be transferred by the company to the investor education and protection fund established under section 205c in terms of section 205A of the Companies Act, 1956.

It may be noted that no claim will lie against the company or the investor education and protection fund in respect of the said unclaimed dividend amount transferred to the fund.

- e) Payment of Dividend through Electronic Clearing Service (ECS)

The Securities and Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility, wherever available, for distributing dividends or other cash benefits etc, to the investors. This facility provides instant credit of dividend amount to your Bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS, and are holding the Company's shares in electronic form, you may kindly fill in the enclosed ECS mandate form and submit it to your Depository Participant. However, in case you are holding the company's shares in physical form and wish to have your future dividends paid through ECS, you may kindly return the said ECS mandate form duly completed and signed by you at our registered office mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Branch, type of Account, and Account Number to your depository participant, in cases where shares are held in electronic form, and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participant or to us, as the case may be, at an early date.

We request you to kindly submit the ECS/Bank details latest by 25th September, 2004 to enable us to include the same for the payment of the current year's dividend.

- f) Members holding shares in physical form are requested to notify/send any change in their address to the Company's Share Transfer Agents, or to the Company at its Registered Office.
- g) Section 109A of the Companies Act, 1956 extends the nomination facility to individual shareholders of the Company. Therefore, the shareholders willing to avail this facility may make nomination in Form 2B.

ANNEXURE TO THE NOTICE EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

ITEM # 6:

Mr. K. Jagan Mohan Rao was appointed as an Additional Director of the Company as per the provisions of section 260 of the Companies Act, 1956 ("the Act") in the Board Meeting held on 7th July, 2004.. Pursuant to Section 260 of the Companies Act, 1956, Sri K. Jagan Mohan Rao holds office of Director up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing under Section 257 of the Companies Act, 1956, along with a deposit of Rs. 500/- from a member signifying his intention to propose the name of Sri K. Jagan Mohan Rao as a candidature for the office of Director. The profile of this Director is given hereto under the head 'additional information'.

The Board recommends the resolution for the members' approval in the Annual General Meeting.

None of the Directors except Mr K. Jagan Mohan Rao is concerned or interested in the resolution.

ITEM # 7:

It is proposed to issue shares or grant options to the employees of the company. In order to provide enabling provisions in the Articles of Association of the company empowering the company and/or Board of Directors of the company to offer/issue equity shares, and/ or equity linked instruments or any other instruments or securities or grant options to the employees of the company or such other persons under a Scheme or Plan to be framed in this regard, it is required to alter the Articles of Association of the company by inserting the necessary provisions relating thereto.

The Board commends the above resolution at Item # 7 for the approval of the members

None of the Directors is interested or concerned, either directly or indirectly, in the proposed resolution.

ITEM # 8:

The success of any company, IT companies in particular, depends on the strength of the human resources capital. Ability to attract, retain and motivate its human resources is the key to success of any company in IT sector. Offering stock options to employees not only allows them to participate in the long term growth and financial success of the company but also works as an impetus for creativity, innovation and excellence. To fulfill the above objectives, The Board of Directors proposed to grant stock options to employees of the company by framing an Employees Stock Option Scheme, subject to the eligible employees of the company under such scheme.

The salient features of the Employees Stock Option Scheme are set out below:

1. Total Options to be allocated:

Such number of Options, each entitling the holder on exercise to 1 share, which would result in issue of shares not more than 10% of the paid-up share capital of the Company of face value of Rs 10/- per share at the price as stated herein below.

2. Identification of classes of employees entitled to participate in ESOS:

Persons who are "employees" of the Company, including Directors, as defined in the ESOS Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOS Compensation Committee, from time to time.

3. Requirements of vesting and period of vesting:

Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOS Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

4. Exercise Price of Options:

The exercise price for the purpose of the grant of options shall be computed (a) either at a discount of upto 75% on the average closing prices for the Company's Equity Shares quoted on the Stock Exchange having the maximum volume of transactions during the two weeks preceding the date of the Grant, or (b) closing price on the date of grant for the company's Equity Shares quoted on the Stock Exchange.

5. Exercise Period and the Process of Exercise:

The exercise period commences from the date of vesting, and will expire not later than 7 years from the date of grant of options, or such other period as may be decided by the ESOS Compensation Committee, from time to time.

The Options will be exercisable by the Employees by a written application to the Company to exercise the options, in such manner, on execution of such documents, as may be prescribed by the ESOS Compensation Committee from time to time.

The Options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of employees to ESOS:

The appraisal process for determining the eligibility of the employees will be specified by the ESOS Compensation Committee, and will be based on criteria such as the seniority of the employee, length of service, performance record, merit of the employee, and/or any such other criteria that may be determined by the ESOS Compensation Committee at its sole discretion.

7. Maximum number of Options to be issued per employee in aggregate:

The maximum number of Options granted per employee will not exceed 1% of the paid-up shares of the Company or 1,00,000 whichever is less. The aggregate of all such Options granted shall not exceed 10% of paid-up shares of the Company.

8. The method which the company shall use to value its options is either fair value or intrinsic value, as decided by the Compensation Committee to be constituted in this connection.

In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.

The Company shall conform to the accounting policies specified in Clause 13.1 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 and / or such other guidelines as may be Applicable, from time to time.

Subject to the approval of the Stock Exchange, the relevant Equity Shares on exercise of the Options shall be listed on the Stock Exchanges.

The Board of Directors commends this resolution for the approval of the members.

None of the Directors of the Company are interested or concerned in the passing of the Resolutions except to the extent of any options, which may be granted to them pursuant to this Scheme or plan.

Additional Information :

(As per the Clause 49 of the listing agreement)

Brief Profile of Directors who retire by rotation and are eligible for reelection :

Name of the Director	Datuk Santha Kumar	Datuk Kunasingam Sittampalam
Age	48 years	51 years
Qualifications	Bachelor of Science (Hons), Civil from Brighton Polytechnic, Master of Science, Highway and Traffic Engineering, University of Birmingham.	Bachelor of Engineering (Hons) and Master of Engineering, Sheffield University, United Kingdom.
Expertise	He has been project director and involved in overall project planning and implementation of projects, which include among others, improvements to Federal Highway Route II from Subang to Shah Alam for PLUS, LRT 2 System for PUTRA Sdn. Bhd., Express Rail Link from Kuala Lumpur to KLIA for ERL Sdn Bhd., West Coast Highway for Talam-Larut Construction.	As a director to HSS Intesys Sdn.Bhd., the IT subsidiary of HSS Integrated Group, providing value added services in engineering software, planning and scheduling work. At HSS Integrated, he has been the Project Director involved in overall project.
Other Directorships held	4	6
Chairman / Member of the Committees of the Board of Directors of other Companies in which he is Director	NIL	NIL

Brief Profile of Mr. K. Jagan Mohan Rao, whose appointment is slated vide item 6:

Mr. Jagan Mohan Rao Karpey aged about 46 years, has more than 20 years of experience in the Industry with focus on Marketing and Finance. Mr. Jagan Mohan Rao hold dual masters degree one in sciences and one in Business Administration from Osmania University, Hyderabad. He has a vast network in the US that can add immense value to the company. He does not hold directorships in any other Companies.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the **Fifteenth Annual Report** of your company together with the Audited Accounts for the year ended 31st March, 2004.

Financial Results

	(Amount in Rs. Lakhs)	
	2003-2004	2002-2003
Total Income	1064.71	559.47
Profit before interest, depreciation and tax	468.67	170.14
Interest	1.87	5.18
Depreciation	93.08	91.15
Provision for Taxation	14.04	2.96
Profit after interest, Tax and depreciation	359.68	70.85
Deferred Tax Provision	63.58	55.48
Dividend	60.01	---
Provision for Dividend Tax	6.60	---
Balance brought forward	114.39	99.02
Balance Carried to Balance Sheet	343.88	114.39

Financial Highlights

The total income of your company for the year 2003-04 was Rs. 1064.71 Lakhs as against Rs. 559.47 Lakhs in 2002-03, showing an impressive growth of 90 per cent . Profit before tax (PBT) recorded a massive jump of 406% per cent to Rs.373.72 Lakhs in 2003-04 from Rs.73.80 Lakhs in 2002-03. Profit after tax (PAT) increased by 407% per cent to Rs.359.68 Lakhs in 2003-04 from Rs.70.85 Lakhs in 2002-03.

Dividend

The Board of Directors of your company has recommended a dividend of 5% (i.e. Rs 0.50 per equity share of Rs. 10/- each) for the year ended 31st March, 2004 amounting to Rs. 60,01,000/-.

Change of Name of the Company

Your Company's name has been changed from M/s VIRINCHI CONSULTANTS LIMITED to M/s VIRINCHI TECHNOLOGIES LIMITED u/s 21 of the Companies Act, 1956 w.e.f. 8th October, 2003.

Directors

In accordance with the provisions of the Companies Act, 1956, Datuk Santha Kumar and Datuk Kunasingam Sittampalam retire by rotation at the forthcoming Annual General Meeting and being eligible offers themselves for re-appointment.

Mr. K. Jagan Mohan Rao, was appointed as an Additional Director of the Company in the Board Meeting held on 1st March,2004. He ceases to be a director on commencement of ensuing Annual General Meeting. The company has received a notice from a member under section 257 of the Companies Act, 1956 proposing his appointment as Director liable to retire by rotation.

A brief resume / details relating to the Directors to be appointed / reappointed as stipulated under Clause 49 (VI)(A) of the listing agreement executed with the stock exchanges are furnished in the Explanatory Statement of the Notice of the ensuing Annual General Meeting.

Mr. A.P. Srinivas resigned from the Board of Directors with effect from 22nd July, 2004. Mr. Ermanno Traverso resigned from the Board with effect from 1st March, 2004. The Board places on record its sincere appreciation for the invaluable contribution made by them during their tenure.

Directors' Responsibility Statement :

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st March 2004 and of the profit of the company for the financial year ended 31st March 2004.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2004 on a going concern basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Deposits

The Company has not accepted fixed deposits as on 31st March, 2004 so as to attract the provisions of Section 58A of the Companies Act, 1956 read with Companies (Acceptance of the Deposits Rules) 1975 as amended from time to time.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

a) Conservation of Energy:

Company's operations require electrical energy for its use in air conditioning the premises, for power supply to computer systems and lighting which are not energy intensive. However, adequate measures have been taken to reduce energy consumption, wherever possible.

b) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in software engineering, technologies and products. Your company leverages its excellence in technology for producing World Class Products and solutions. The continual exposure to new technologies has helped maintain high motivation levels in employees and to generate higher levels of productivity, efficiency and quality. Your company continues to give due importance to research and development to maintain its leadership in the field of leading edge technologies.

c) Foreign Exchange Earnings and Outgo:

Earnings : Rs.509.14 Lakhs towards Export of Software.

Outgo : Rs.43.80 Lakhs towards Foreign Travel and Rs.59.60 Lakhs towards expenses.

Particulars of Employees

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that no employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

Report on Corporate Governance

Corporate Governance Report is set out as separate **Annexure** to this Report.

Management Discussion and Analysis

This has been dealt with in the separate Annexure to this Report.

Acknowledgements

Your directors would like to place on record their appreciation of support, co-operation and assistance received from the company's clients, Central Government authorities, bankers, shareholders and suppliers. The board wishes to convey its appreciation of hard work, solidarity, cooperation and support put in by the company's employees at all levels in enabling such growth.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

PLACE : HYDERABAD
DATE : 25-08-2004

K.VISWANATH
CHAIRMAN & MANAGING DIRECTOR

K.S.K. PRASAD
DIRECTOR

Annexure to Directors' Report
Report on Corporate Governance

1. Company's Philosophy:

Virinchi Corporate Philosophy envisages complete transparency and adequate disclosure with an ultimate aim of value creation for all players i.e. stakeholders, creditors, Employees.

2. Board of Directors

a) Composition

To have a more professional outlook your company is having 8 Members comprising of 1 Chairman & Managing Director and 7 Independent Directors.

b) Attendance of each Director at the Board Meetings and the last AGM

During the Financial Year 2003-04 the Board of Directors met 6 times on the following dates:

19-04-2003, 19-07-2003, 22-08-2003, 27-10-2003, 12-01-2004 and 01-03-2004.

The attendance of each Director is given below:

Name of the Director	Category	No. of other Director ships	No.of committees in which Member	No.of Board Meetings attended	Whether attended last AGM
Mr.K.Viswanath	Chairman & Managing Director	---	---	6	Yes
Mr.A.P.Srinivas *	Promoter Director	---	---	4	Yes
Datuk Santha Kumar S	Independent Director	4	---	---	No
Datuk Kunasingam Sittampalam	Independent Director	6	---	1	No
Mr.KVSN.Kumar	Independent Director	4	---	---	No
Mr.K.S.K.Prasad	Independent Director	---	3	4	Yes
Mr.Jagadish K. Rao	Independent Director	1	3	3	No
Mr.Ermanno Traverso **	Independent Director	---	3	1	No
Mr.V.Premchand Krishna Rao	Independent Director	3	---	--	No
Mr. K.Jagan Mohan Rao***	Independent Director	--	3	--	No

* Mr.A.P.Srinivas has resigned from Directorship w.e.f 22nd July, 2004

** Mr.Ermanno Traverso has resigned from Directorship w.e.f 01st March, 2004

*** Mr, K, Jagan Mohan Rao appointed as Additional Director w.e.f 01st March, 2004

AUDIT COMMITTEE:

During the year under review Four (4) meetings were held for approval of unaudited Financial Results.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name of the Director	Designation	Nature of Directorship	Profession	Committee meetings attended
Sri.K.S.K.Prasad	Chairman of the Committee	Independent	Business	4
*Sri Ermanno Traverso	Member	Independent	Business	1
Sri.Jagadish K Rao	Member	Independent	Business	4
Mr. K. Jagan Mohan Rao**	Member	Independent	Business	Nil

*Sri Ermanno Traverso, ceased to be a Member of the Audit Committee with effect from 1st March, 2004.

**Mr. K.Jagan Mohan Rao was inducted as Member of the Audit Committee with effect from 1st March, 2004.

The meetings of Audit committee were also attended by the head of finance and Statutory Auditor as Invitees. The un-audited financial results for each quarter are approved by the audit committee before passed on to the Board of Directors for approval and adoption.

Terms and reference of the Audit Committee include a review of;

- Financial reporting process
- Draft financial statements and auditor's report (before submission to the Board)
- Accounting policies and practices
- Internal controls and internal audit systems
- Risk management policies and practices
- Related party transactions
- Internal audit reports and adequacy of internal audit function

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan, fixation of audit fee and also approval of payment of fees for any other services.

4. Remuneration Committee

The Remuneration Committee is constituted as follows:

Name of the Director	Designation	Nature of Directorship
Sri.K.S.K.Prasad	Chairman of the Committee	Independent
*Sri Ermanno Traverso	Member	Independent
Sri.Jagadish K Rao	Member	Independent
**Shri K.Jagan Mohan Rao	Member	Independent

*Sri Ermanno Traverso, ceased to be a Member of the Committee with effect from 1st March, 2004.

**Mr. K.Jagan Mohan Rao was inducted as Member of the Committee with effect from 1st March, 2004.

Details of remuneration to the directors for the Year:

Details of remuneration paid to Directors are given below:

Name of the Director	Relationship with other Directors	Business relationship with company if any	Loans and advances from company	Remuneration	Paid During the year 2003-2004		
					Sitting fees Rs.	Commission Rs.	Total Rs.
Mr. K.Viswanath	None	None	None	None	6,53,404	---	6,53,404
*Mr.A.P.Srinivas	None	None	None	None	6,53,412	---	6,53,412

* Resigned w.e.f. from 22-07-2004.

5. INVESTORS' GRIEVANCE COMMITTEE:

The Board constituted an investors' grievance committee which looks into shareholders and investors grievances. The following are the members of the committee:

Sri K.S.K.Prasad	Member and Chairman of the Committee
*Sri Ermanno Traverso	Member
Sri Jagadish K.Rao	Member
**Shri K.Jagan Mohan Rao	Member

*Sri Ermanno Traverso, ceased to be a Member of the Committee with effect from 1st March, 2004.

**Mr. K.Jagan Mohan Rao was inducted as Member of the Committee with effect from 1st March, 2004.

Name & Designation of the Compliance officer: **Mr. K.S.K.Prasad**
Compliance Officer
C/o Virinchi Technologies Ltd
10, SRK Colony, West Marredpally
Secunderabad – 500 026.

The total No. of Complaints received and complied during the year were; 14

The Complaints had been attended to within seven days from the date of receipt of the complaint, as communicated by our Registrars and Share Transfer Agents M/s.Aarthi Consultants Pvt. Ltd.

The outstanding complaints as on 31st March, 2004 were: 1

4. **Details of Annual General Meetings: Location and time of the last Three AGMs.**

Financial Year	Date	Time	Venue	Nature of special resolutions, if any passed
2002 - 2003	26.09.2003	11.00 A.M	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredapally, Secunderabad – 26	(a) alteration of objects clause of Memorandum of Association. (b) Change of Name.
2001 - 2002	30.09.2002	11.00 A.M	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredapally, Secunderabad – 26	Alteration of Articles of Association
2000 - 2001	28.09.2001	11.00 A.M	Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredapally, Secunderabad – 26	Place of keeping of Register of Members, etc. u/s. 163.

The alteration of objects Clause of Memorandum of Association and Change of name of the company have been passed through Postal Ballot in the 14th Annual General Meeting of the Company.

7. **Disclosures**

A. Disclosure on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

None

B. Details of non-compliance by the company, penalties, Strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

8. **Means of Communications:**

As per the listing requirements, the company publishes periodical financial results in leading English and regional newspapers information. The Management Discussion and Analysis (MD& A) forms part of the annual report.

General Share Holder Information:

a) AGM, Date ,Time and Venue : 29th September, 2004 at 11.A.M.
At Padmashali Kalyana Mandapam,
2-12-66, Nehru Nagar, West Maredapally,
Secunderabad – 500 026 A.P.

b) Financial Calendar : April to March

Financial Reporting for:

Quarter ending June 30, 2004	Before end of July 04
Quarter ending September 30, 2004	Before end of October 04
Quarter ending December 31, 2004	Before end of January, 05
Quarter ending March 31, 2005	Before end of April, 05

Annual General Meeting for FY ended 31st March, 2005 before end of 30th September, 2005

- c) Date of Book Closure : 24th September 2004 to 29th September, 2004.(both days inclusive)
- d) Dividend Payment date(s) : 4th October, 2004 to 25th October, 2004
- e) Listing on Stock Exchanges : The Company's Equity Shares are listed in the Hyderabad Stock Exchange Limited and the Stock Exchange, Mumbai (BSE). The Company has paid the listing fees to the stock exchanges for the financial year 2004-05.
- i) Stock Code – Physical
Hyderabad : Not Allotted
Mumbai : 532372
- ii) Demat ISIN Number
NSDL – IN9539B01015 –
PPPRODIV030900
INE593B01017 – EQ

CDSL–DEBIT+ISIN– IN9539B01015
CREDIT+ISIN-INE593B01017

Market Price Data: : The Company was given Listing permission by the Stock Exchanges from Mumbai Stock Exchange - October 23, 2000, Hyderabad Stock Exchange – October 20, 2000.

High and Low market price during each month in last financial year

Month	Mumbai Stock Exchange	
	High	Low
April, 2003	2.40	1.75
May, 2003	2.11	2.11
June, 2003	4.42	2.34
July, 2003	3.55	2.00
August, 2003	2.90	1.86
September, 2003	3.80	2.28
October, 2003	3.09	2.11
November, 2003	3.90	1.73
December, 2003	7.77	3.11
January, 2004	14.97	9.33
February, 2004	10.25	7.46
March, 2004	8.92	6.55

Note : During the year shares of the company were not traded in Hyderabad Stock Exchange. Hence, the monthly High and Low of the stock quotations in respect of the same are not furnished.

- g) Stock Performance in Comparison : The Share Price of the Company has been to Broad-based indices such as BSE moving with the trend of the indices Sensex, BZX 200,Nifty
- h) Register and transfer agent : Aarathi Consultants Pvt Ltd.
1-2-285, Domalguda,
Hyderabad –500 029.
Ph:27634445, 27638111 Fax:27632184

- i) Share and Transfer agent : The Share transfers are being effected physically by the Company's share transfer agents, M/s. Aarthi Consultants Pvt. Ltd, Hyderabad, the Company has entered into an agreement with both the Depositories, Viz., NSDL and CDSL For dematerialization of its shares.

- j) Distribution Shareholding as on 31st March,2004

Share Holding of Nominal Value	Share Holders			Share Amount	
	Rs. (1)	Numbers (2)	% of Total (3)	In Rs. (4)	% of Total (5)
Upto 5,000	5,000	1369	59.29	3764320.00	3.14
5,001	10,000	517	22.39	4596810.00	3.83
10,001	20,000	120	5.20	1903000.00	1.59
20,001	30,000	94	4.07	2475300.00	2.06
30,001	40,000	33	1.43	1219870.00	1.02
40,001	50,000	45	1.95	2151790.00	1.79
50,001	1,00,000	45	1.95	3699850.00	3.08
1,00,001 and above		86	3.72	100209060.00	83.49
TOTAL		2309	100.00	120020000.00	100.00

- k) According to categories of shareholders as at 31st March 2004.

	CATEGORY	No.of Shares held	% age of shareholding
A	PROMOTER'S HOLDING:		
1.	Promoters* - Indian Promoters - Foreign Promoters	49,30,292 29,15,500	41.08 24.29
2.	Persons acting in Concert #	Nil	Nil
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors		
a.	Mutual Funds	Nil	Nil
b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	1,97,600	1.65
c.	FII's	Nil	Nil
4.	OTHERS		
a.	Private Corporate Bodies	6,87,836	5.73
b.	Indian Public	32,39,772	26.99
c.	NRIs / OCBs	31,000	0.26
d.	Any other (please specify)	Nil	Nil
	TOTAL	1,20,02,000	100.00

- l) Dematerlization of Shares and liquidity : Since the Company has entered in to an arrangement with both the depositories namely NSDL and CSDL for dematerialisation of its shares, the shareholders of the company are more free to Dematerialise their shares and keep them in Dematerialised form with any depository participant.

- m) Outstanding GDRs./ADRs./Warrants or any Convertible instruments Conversion date and likely Impact On equity. : The Company has not issued any GDRs./ADRs./ Warrants or any convertible instruments.
- n) Address for Correspondence : Virinchi Technologies Limited
10, SRK Colony, West Maredpally,
Secunderabad – 500 026

BY ORDER OF THE BOARD OF DIRECTORS

PLACE : HYDERABAD
DATE : 25-08-2004

K.VISWANATH
CHAIRMAN &MANAGING DIRECTOR

K.S.K. PRASAD
DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

Industry Structure and developments

The software industry has got the potential to become one of the most internationally dispersed high-tech industries. It is a fast growing industry producing high value services for its customers. Indeed, the software industry has become a leading source of employment creation and economic growth in the world. In addition, software has become a key facilitating technology making it a major strategic technology for growth and development. Software centrally not only underpins the actual creation, but also facilitates efficient utilization of core aspects of modern business functions.

One of the major and likely permanent changes in the market is the growing prominence of eProcurement vendors, which long have worked to develop supply-chain solutions that compare favorably with best-of-the-breed. An AMR Research predicts the eProcurement / SCM market will reach \$13.6 Billion by 2006 from an estimated \$6.4 Billion in 2003. In India however the market here is still at a nascent stage, despite the growth projections. India is still in the adoption phase of enterprise application such Enterprise Resource Planning & eProcurement as most companies in India are still unfamiliar with the product and its utility.

However the focus of Virinchi has been in the market for eProcurement solutions. The eBusiness market according to a recent report by Gartner Group research firm will grow to US\$ 7 trillion in 2008. North America still remains at the vanguard with 39% of the market and revenues worth more than US\$ 2.84 trillion.

The Indian Scenario

In such a scenario, India's software and services exports business recorded revenue of \$12.5 billion in the fiscal year that ended March 31, 2004 up by 30.5% over revenue of \$9.6 billion in the previous year, according to NASSCOM. The revenue figures include billings by Indian outsourcers and wholly owned software development and BPO operations in India of multinational companies. The U.S. and U.K. markets accounted for about 85% of revenue.

Competitive Strengths of your company

Your company has been the ideal choice for outsourcing owing to its extensive experience and expertise in managing complex outsourcing relationships across the globe. Your Company is strongly supported by competitive strengths such as offering *Comprehensive Products and Solutions, ideally focusing on client's business, superior Project Management Methodology, End-to-End Partnering, utmost care on efficiency levels, having improved Infrastructure and focus on cost savings to the clients etc.*, Your Company has been an ISO 9001:2000 certified for over 3 years now. However, it is the belief of the company that adopting a CMMi model is critical to fortify its position in the areas of total outsourcing and product / intellectual property development. The CMMi model sets stringent standards in managing and developing requirements, design evaluation, quantitative project management, teaming and integration and is one of the most sought after quality models in the field of Information Technology. We are happy to announce that your company has reached a fairly advanced stage on its way towards a staged CMMI Level 5, V 1.1. assessment. The company hopes to complete the assessment by the end of the year. The assessment would cover all the disciplines at CMMi Level 5 i.e. SE/SW/IPPD/SS. This would be another step in the quality journey of continuous improvement and global benchmarking. The CMMi assessment in 2004-05 would further bolster the brand image of your company in the global markets as a high software quality Production and Delivery house.

Opportunities, Risks & Concerns

The software industry is characterized by rapid-technological changes and uncertain success of the new products. Companies are committed to adopting new technologies quickly by redefining their investment priorities and rapidly enabling their staff to meet the changes..

As a result of the fierce global competition, eroding profit margins, and emerging new tools and technologies, world-wide user organizations are re-engineering their IT systems. This has created a backlog for the software development projects. Consequently, a part of the work force is moving from maintenance to the new development projects..

Your company has clearly etched out the practice areas and has dedicated teams to manage requirements of such practice areas. Your Company, can now confidently, handle any project of any size and deliver the same in stringent timelines, as desired by the client company. General inflation which is higher in India than the other countries may squeeze company's profits. The foreign exchange fluctuations also affect the software industry in general

Your company has a sound knowledge about the risks that are prevailing in the market, and knows how to tackle them effectively. The company is also trying to explore and find other opportunities that might prove to be beneficial in increasing our revenues and gain market share.

Internal Control Systems & Their Adequacy

The Company has adequate internal control systems and procedures in all operational areas and at all levels – equipments procurement, finance, administration marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The internal audit function will be done by a firm of Chartered Accountants. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

Discussion on Financial Performance with respect to Operational Performance

The total income of your company for the year 2003-04 was Rs. 1064.71 Lakhs as against Rs. 559.47 Lakhs in 2002-03, showing an impressive growth of 90 per cent . Profit before tax (PBT) recorded a massive jump of 406% per cent to Rs.37.372 Lakhs in 2003-04 from Rs.73.80 Lakhs in 2002-03. Profit after tax (PAT) increased by 407% per cent to Rs.359.68 Lakhs in 2003-04 from Rs.70.84 Lakhs in 2002-03.

Material Developments in Human Resources/Industrial Relations front, including number of people employed.

Virinchi believes that successful organizations emanate from successful people who achieve that success from within the organization. Hence it's the organization's responsibility to define the growth & success blue print of every member working for it. Based on some of the successful industry practices, a comprehensive career management model has been devised for your company, primarily driven by parameters such as group and individual performance, to determine the growth & success path for each employee.

Further, the company recruited senior level and other functional specialists during the year. The Human relations in the organization have been cordial. The total number of persons employed in the company as on 31st March 2004 was 112. Your company works continuously towards adopting the best human resource practices in the industry and firmly believes in coming out with creative ideas for promoting customer satisfaction of the highest order. To ensure that employees grow with technology, training programs are conducted by your company at regular intervals to enable all technical & functional resources be abreast with the latest technologies.

Compliance Certificate on Corporate Governance

To

The Members,
VIRINCHI TECHNOLOGIES LIMITED
(Formerly, Virinchi Consultants Limited)

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s. Virinchi Technologies limited, formerly, Virinchi Consultants Limited, ("the company") for the year ended 31st March, 2004 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For P. MURALI & CO.,
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
Date : 25-08-2004

P.MURALI MOHANA RAO
PARTNER.

AUDITORS' REPORT

To,
The Members,
VIRINCHI TECHNOLOGIES LIMITED

We have audited the attached Balance Sheet of M/s. VIRINCHI TECHNOLOGIES LIMITED as at 31st March, 2004 and also the Profit & Loss Account for the year ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 we enclose in the Annexure a Statement on the matters specified in paragraphs 4 and 5 of the said order.

Further to our comments in the Annexure referred to above, we report that:

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of Companies Act, 1956;
- (v) On the basis of written representations received from the Directors, as on 31st march, 2004 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2004 from being appointed Director in terms of clause (g) of sub-section(1) of section 274 of the Companies Act, 1956;
- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) In the case of the Balance sheet, of the state of affairs of the Company as at 31st March, 2004
 - b) In the case of Profit & Loss Account of the profit for the year ended on that date;

and

- c) In the case of cash flow statement of the cash flows for the year ended on that date.

For P.MURALI & CO
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
DATE : 25th AUGUST, 2004

P. MURALI MOHANA RAO
PARTNER

ANNEXURE TO THE AUDITORS REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) All the assets have not been physically verified by the management during the year but there is a regular programme for verification which, in our opinion, is reasonable with regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
 - (c) The Company has not disposed off substantial part of the fixed assets during the year.
- II. The Company has no inventory. Hence this clause is not applicable.
- III. (a) The Company has not either granted or taken any loans, secured or unsecured to/from Companies, Firms or other Parties covered in the register maintained u/s301 of the Companies Act, 1956.
 - (b) As the Company has not either granted or taken any loans covered in the register maintained u/s301 of the Companies Act, 1956, the applicability of the clause regarding interest and other terms and conditions for secured and unsecured loans and the prima facie prejudicial to the interest of the Company does not arise.
 - (c) On the basis of our checking and according to the information and explanations given to us during the course of our audit no loans or advances in the nature of loans have been given by the Company hence the applicability of the clause regarding regular payment of principal amount and interest does not arise.
 - (d) No loans have been taken from or granted to Companies, Firms and other parties listed in the register u/s301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of fixed assets and for sale of goods. There is not continuing failure by the company to correct any major weaknesses in internal control.

- V (a) In our opinion and according to the information and explanations given to us, since no such transactions have been made by the Company exceeding the value of Five lacs rupees in respect of any party in the financial year, the entry in the register u/s301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such transactions made by the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant times does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board has not been received by the Company.
- VII. In our pinion, the Company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956.
- IX (a) The Company is regular in depositing statutory dues including PF, Income Tax, with the appropriate authorities and the last financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- (b) According to the information and explanations given to us, no undisputed amounts are payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty, Excise Duty and Cess as at the end of the period, for a period of more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years, and the Company has not accumulated losses at the end of the financial year and the Company has not incurred cash losses in this financial year and in the financial year immediately preceding such financial year also.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respects of loans does not arise.
- XIII. This clause is not applicable to this Company as the company is not covered by the provisions of special statue applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the Company is

not dealing or trading in shares, securities, debentures and other investments and hence the provisions of clause 4 (xiv) of the Companies (Auditors Report) Order 2003, are not applicable to the Company.

- XV. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the Company does not arise.
- XVI. According to the information and explanations given to us, the Company has not obtained any Term Loans, hence this clause is not applicable.
- XVII. According to the information and explanations given to us, no refunds are raised by the Company on short term basis. Hence the clause of short term funds being used for long term investment and vice versa does not arise.
- XVIII. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of securities in respect of debentures does not arise.
- XX. According to the information and explanations given to us, the Company has not raised money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P.MURALI & Co.,
CHARTERED ACCOUNTANTS

P.MURALI MOHANA RAO
PARTNER

PLACE : HYDERABAD

DATE : 25th August, 2004

BALANCE SHEET AS ON 31st MARCH, 2004

PARTICULARS	SCHEDULE Nos.	AS AT 31-03-2004 (Rupees)	AS AT 31-03-2003 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	116,763,367	114,956,811
b) Reserves & Surplus	2	34,387,473	11,438,295
c) Share Premium		86,895,588	85,450,344
2. LOAN FUNDS			
a) Secured Loans	3	2,064,471	412,499
3. DEFERRED INCOME TAX LIABILITY			
		25,546,587	19,188,845
TOTAL		265,657,486	231,446,794
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	133,609,972	117,061,394
b) Less: Depreciation		33,966,396	24,658,493
c) Net Block		99,643,577	92,402,901
d) Product Development		108,528,083	93,056,583
2. INVESTMENTS			
	5	14,000	14,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	41,957,703	20,676,763
b) Cash and Bank Balances	7	755,662	2,795,455
c) Advances and Deposits	8	25,798,645	29,758,160
Less: Current Liabilities, Provisions and Advances	9	11,681,741	8,540,187
NET CURRENT ASSETS		56,830,269	44,690,191
4. MISCELLANEOUS EXPENDITURE			
(To the extent not written off or adjusted)	10	641,559	1,283,119
TOTAL		265,657,486	231,446,794
Notes to Accounts	12		

Schedules 1 to 11, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.**,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

K.VISWANATH
CHAIRMAN &
MANAGING DIRECTOR

K.S.K.PRASAD
DIRECTOR

PLACE :HYDERABAD
DATE : 25th AUGUST, 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st

PARTICULARS	SCHEDULE NO	YEAR ENDED 31-03-2004 (Rupees)	YEAR ENDED 31-03-2003 (Rupees)
1 INCOME			
Income from Operations		106,471,177	55,946,764
TOTA		106,471,17	55,946,76
2 EXPENDITURE			
Salaries and Other benefits to Employees		15,788,947	13,910,763
Business and Administrative Expenses	11	43,173,681	24,379,944
Interest and Financial Expenses		186,816	518,227
Depreciation		9,307,903	9,115,223
Misc. Expenses written off		641,560	642,247
TOTA		69,098,90	48,566,40
3 PROFIT BEFORE TAX		37,372,270	7,380,360
4 PROVISION FOR TAX		1,404,240	295,719
5 PROFIT AFTER TAX		35,968,030	7,084,641
6 DEFERRED INCOME TAX PROVISION FOR CURRENT YEAR		6,357,742	5,548,058
7 PROVISION FOR DIVIDEND		6,001,000	-
8 PROVISION FOR DIVIDEND TAX		660,110	-
9 BALANCE BROUGHT FORWARD		11,438,295	9,901,712
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		34,387,473	11,438,295
11 BASIC EARNINGS PER SHARE (PAT)		2.47	0.59

Notes to Accounts

12

Scheduels 1 to 11, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.**,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA
PARTNER

K.VISWANATH
CHAIRMAN &
MANAGING DIRECTOR

K.S.K.PRASAD
DIRECTOR

PLACE :HYDERABAD
DATE : 25th AUGUST, 2004

PARTICULARS	AS AT 31-03-2004 (Rupees)	AS AT 31-03-2003 (Rupees)
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**SCHEDULE 1
SHARE CAPITAL**

AUTHORISED :

13000000 Equity Share of Rs.10/- each	130,000,000	130,000,000
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ISSUED, SUBSCRIBED & PAID UP :

1,20,02,000 Equity shares of Rs.10/- each	120,020,000	120,020,000
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LESS: Calls in Arrears	3,256,633	5,063,189
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	116,763,367	114,956,811
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**SCHEDULE 2
RESERVES AND SURPLUS**

Balance Upto Previous year	11,438,295	9,901,712
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Surplus in Profit and Loss Account	22,949,178	1,536,584
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	34,387,473	11,438,295
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**SCHEDULE 3
SECURED LOANS**

Overdraft from Canara Bank	2,064,471	101,979
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(Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)

Kotak Mahindra Primus Limited	-	310,520
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(Vehicle Hire Purchaser)

	2,064,471	412,499
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**SCHEDULE 4
FIXED ASSETS**

(Rupees)

PARITCULARS	GROSS BLOCK AS ON 01-04-2003	ADDITIONS	GROSS BLOCK AS ON 31-03-2004	DEPRECIATION UPTO 31-03-2003	DEPRECIATION DURING THE YEAR	TOTAL DEPRECIATION 31-03-2004	NET BLOCK AS AT 31-03-2004	NET BLOCK AS AT 31-03-2003
Computer Hardware	56,198,422	7,922,447	64,120,869	15,377,876	5,763,529	21,141,405	42,979,464	40,820,546
Computer Software	29,402,450	5,492,543	34,894,993	3,909,857	1,476,869	5,386,726	29,508,267	25,492,593
Furniture and Fixtures	7,768,092	645,102	8,413,194	1,272,008	470,148	1,742,156	6,671,037	6,496,084
Interior Decoration	13,037,031	1,862,843	14,899,874	1,586,622	659,773	2,246,395	12,653,479	11,450,409
Office Equipments	3,208,686	404,350	3,613,036	261,926	109,361	371,287	3,241,748	2,946,760
Air Conditioners	1,716,551	150,952	1,867,503	172,196	69,433	241,629	1,625,874	1,544,355
Vehicles	4,798,425	0	4,798,425	1,981,525	719,635	2,701,160	2,097,265	2,816,900
Electrical Equipment	931,737	70,341	1,002,078	96,483	39,154	135,637	866,441	835,254
	117,061,394	16,548,578	133,609,972	24,658,493	9,307,903	33,966,396	99,643,577	92,402,901

PARTICULARS	AS AT 31-03-2004 (Rupees)	AS AT 31-03-2003 (Rupees)
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**SCHEDULE 5
INVESTMENTS**

Canara Bank Shares (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 31st March,2004 is Rs.144.60 per share)	14,000	14,000
	14,000	14,000

**SCHEDULE 6
SUNDRY DEBTORS**

Debtors not exceeding six months	41,957,703	20,676,763
Other Debtors	-	-
	41,957,703	20,676,763

**SCHEDULE 7
CASH AND BANK BALANCES**

Cash in Hand	14,643	28,079
Cash with Schedule Banks	741,018	2,767,376
	755,662	2,795,455

PARTICULARS	AS AT 31-03-2004 (Rupees)	AS AT 31-03-2003 (Rupees)
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**SCHEDULE 8
ADVANCES AND DEPOSITS**

ADVANCES

Advances	3,759,488	3,297,412
Virinchi Employees Welfare Trust	20,020,000	20,020,000
Other Advances	275,309	388,374

DEPOSITS

Rent Deposits	774,828	5,100,854
Other Deposits	969,020	951,520

25,798,645	29,758,160
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**SCHEDULE 9
CURRENT LIABILITIES,
ADVANCES AND PROVISIONS**

Sundry Creditors	180,202	12,648
Creditors for Expenses	1,478,409	1,949,528
Outstanding Expenses and Provisions	1,957,780	6,282,292
Provision for Taxation	1,404,240	295,719
Provision for Dividend	6,001,000	-
Provision for Dividend Tax	660,110	-

11,681,741	8,540,187
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PARTICULARS	AS AT 31-03-2004 (Rupees)	AS AT 31-03-2003 (Rupees)
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**SCHEDULE 10
MISCELLANEOUS EXPENDITURE**

Public Issue Expenses	641,559	1,283,119
	641,559	1,283,119

**SCHEDULE 11
BUSINESS AND ADMINISTRATIVE EXPENSES**

PARTICULARS	YEAR ENDED 31-03-2004 (Rupees)	YEAR ENDED 31-03-2003 (Rupees)
Postage, Telephone and Telegrams	1,677,497	1,314,627
Repairs and Other Maint. Charges	2,513,684	1,093,364
Rent, Rates and Taxes	5,284,570	5,664,273
Auditors Remuneration	49,950	49,500
Directors Remuneration	1,306,816	1,580,338
Printing and Stationery	319,585	176,362
Advertisement expenses	183,206	33,101
Travelling and Conveyance	9,060,982	4,500,433
Marketing and Development Expenses	19,893,958	8,036,488
Other Administrative Expenses	2,883,433	1,931,458
	43,173,681	24,379,944

SCHEDULE 12

NOTES FORMING PART OF THE ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES.

General:

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition:

- (i) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days / man hours as per the terms of contract.
- (ii) Revenue from Professional services consist primarily of revenue from time and material and fixed price contract recognized as related services are performed.
- (iii) Revenue from software development services include revenue from time and material and fixed price contract recognized as related services are performed.
- (iv) Revenue on fixed contracts is recognized in accordance with percentage of completion and method of account.
- (v) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Foreign Exchange Transactions:

- (i) Realized gains & loss in foreign exchange transactions are recognized in Profit & Loss Account.
- (ii) Transactions in Foreign currency will be recorded at the rates of exchange prevailing on the date of transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at balance sheet date.

Investments :

Investments are stated at cost i.e, cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable.

Fixed Assets:

- (i) Depreciation assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.
- (ii) Public issue expenses are amortized over a period of 5 years.

Taxation:

The current charge for income tax calculated in accordance with the relevant Tax regulations applicable to the company. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for income tax and the profit as per the financial statements. Deferred tax asset and liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the balance sheet date.

Earning per share :

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity:

The company has made provision for the gratuity to its employees.

B. Notes on accounts.

1. particulars of employees in accordance with sub-section(2A) of section 217 of the companies Act, 1956 read with companies (Particulars of Employees)rule, 1975.

NIL

2. Directors Remuneration	<u>current year (Rs)</u> 1,306,816/-	<u>Previous year(Rs)</u> 1,580,338/-
3. Auditor's Remuneration Audit Fees	<u>current year (Rs)</u> 45,000/-	<u>Previous year(Rs)</u> 45,000/-

4. The company is engaged in the development of computer software and services. The production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under paragraphs 3 and 4C of part II of schedule VI to the companies Act, 1956.
 5. The company is having overdraft/ cash credit to the extent of Rs.20,64,471/- as on 31.03.2004 from Canara Bank against hypothecation of machinery such as computers, furniture & fixtures, office equipments and air-conditioners and personal guarantee of the director of the company.
 6. Expenditure in foreign currency
- | | | |
|-------------------|--|---|
| Foreign traveling | <u>current year(Rs)</u>
4,380,000/- | <u>Previous year(Rs)</u>
3,556,000/- |
| Other expenses | 5,906,000/- | 4,390,000/- |
7. Earnings in foreign Exchange as reported by the company to the government of India and as certified by Management

current year(Rs) Previous year(Rs)

Foreign Exchange inflow 50,914,000/- 46,003,000/-

8. There are not dues to SSI units outstanding for more than 30 days.
9. No conformations were obtained from debtors/creditors as to the balances receivable from/payable to them as at the year end.
10. In accordance with accounting standard (AS22) issued by the ICAI, the company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs 63,57,742/- towards deferred income tax liability.(previous year Rs 55,48,058/- towards deferred income tax liability).
11. Previous years figures have been regrouped wherever necessary.
12. The figures have been rounded off to the nearest rupee.

SIGNATURES TO SCHEDULES 1 To 12.

As per our report of even date
For **P.murali&co.,**

For and on behalf of the board
VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHAN RAO
PARTNER

K.VISWANATH
CHAIRMAN & MD

K.S.K.PRASAD
DIRECTOR

PLACE : HYDERABAD
DATE : 25th AUGUST,2004

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2004

	Ended 31-03-2004 Rs.in Lacs	Year Ended 31-3-2003 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	373.72	73.80
Adjustments for:		
Depreciation	93.08	91.15
W/o expenses	6.42	6.42
Interest expenses	1.87	5.18
Operating Profit before working capital changes	475.09	176.55
Working Capital Changes		
Trade and other receivables	-173.21	-25.27
Trade payables	31.43	44.62
Cash generated from operations	333.29	195.90
Interest paid	-1.87	-5.18
Taxation for the year	-14.04	-2.96
Dividend for the year	-60.01	0.00
Dividend Tax for the year	-6.60	0.00
Cash flow before extraordinary items	250.77	187.76
Extraordinary items	-	-
Net Cash from Operating Activities	250.77	187.76
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-320.20	-143.76
Investment	0.00	-0.14
Public Issue Expenses	0.00	0.00
Capital work-in-progress	0.00	0.00
Net Cash used in Investing Activities	-320.20	-143.90
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	18.07	17.08
Share Premium	14.45	13.62
Net Proceeds from Long Term Borrowings	16.52	-51.88
Net Cash used in Financing Activities	49.04	-21.18
Net increase in cash and cash equivalents	-20.40	22.68
Cash and Cash equivalents as at 01.04.2003	27.95	5.27
Cash and Cash equivalents as at 31.03.2004	7.56	27.95

FOR AND ON BEHALF OF THE COMPANY
For VIRINCHI TECHNOLOGIES LIMITED

PLACE : HYDERABAD
DATE : 25th AUGUST, 2004

K.VISWANATH **K.S.K.PRASAD**
CHAIRMAN & **DIRECTOR**
MANAGING DIRECTOR

AUDITOR'S CERTIFICATE

To
THE BOARD OF DIRECTORS
VIRINCHI TECHNOLOGIES LIMITED
SECUNDERABAD

We have examined the attached cash flow statement of M/s Virinchi Technologies Limited, for the year ended 31st March, 2004. The statement has been prepared by the company in accordance with the requirements of clause 32 of listing agreement with stock exchange and is based on and in agreement with the corresponding profit and Loss Account and Balance Sheet of the Company covered by our report of 25th August, 2004 to the Members of the Company.

for P.MURALI & CO.,
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
DATE : 25th AUGUST, 2004

P.MURALI MOHANA RAO
PARTNER

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL
BUSINESS PROFILE**

1. REGISTRATION DETAILS

Registration No. : - State Code :

Balance Sheet Date : - -

2. CAPITAL RAISED DURING THE YEAR (Amount Rs. in Thousands)

Public Issue : Rights Issue :

Bonus Issue : Private Placement :

3. POSITION OF MOBILISATION / DEPLOYMENT OF FUNDS (Amount Rs. in Thousands)

Total Liabilities : Total Assets :

Paid up Capital : Reserves & Surplus :

Secured Loans: Unsecured Loans :

Application of Funds Deferred Tax :

Net Fixed Assets : Investments :

Net Current Assets : Misc. Expenditure :

Accumulated Losses :

4. PERFORMANCE OF THE COMPANY (Amount Rs. in Thousands)

Turnover including Other Income : Earnings per Share : - (in Rs.)

Total Expenditure : Dividend Rate (%)

+/- Profit/Loss Before Tax : On Preference Capital :

+/- Profit/Loss After Tax : On Equity Capital :

Dear Shareholder,

Re : Payment of Dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS particulars to the company or to your Depository Participant (in case of demat holdings), we would request you to provide the particulars in the format given below to facilitate prompt and safe payment of future dividend. If you maintain more than one bank account, payment can be received at any one of your existing accounts.

Please ensure that the details submitted are correct, as any error therein could result in the undivided amount being credited to wrong account.

Kindly help us in our endeavor to serve you better.

Yours faithfully

VIRINCHI TECHNOLOGIES LIMITED

Chairman & Managing Director

In case you are holding shares in demat form, please also advise your Depository Participant to take note of your ECS mandate.

FORM FOR ELECTRONIC CLEARING SERVICE (ECS) FOR PAYMENT OF DIVIDEND

Please fill-in information in CAPITAL LETTERS in English Only.

For Shares held in physical Form : Folio No :
For Shares held in Demat Form : DP ID : Client ID :
Name of First / Sole Share holder
Bank Name:
Branch Address:
Branch Code

(9 Digits Code Number appearing on the MICR Cheque supplied by the Bank)

Account Please (_/) Saving Current Cash Credit

A/c.No. (as appearing In the Cheque Book)

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied above, the Company will not be held responsible. I/We agree to inform the Company any change in my/our Bank/branch and account number.

Date :

Place :

(Signature of Shareholder)

(Please attach photocopy of a blank cheque of your bank, duly cancelled, for ensuring accuracy of the Bank's name, branch and 9 digit MICR Code)

VIRINCHI TECHNOLOGIES LIMITED

Regd. Office :10, SRK Colony, West Maredpally, Secunderabad – 500 026

ATTENDANCE SLIP

I hereby record my presence at the 15th Annual General Meeting of the Company being held on Wednesday, the 29th day of September, 2004 at 11 A.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredpally, Secunderabad – 500 026

Name of the Shareholder :

Name of Proxy :

Signature of Member / Proxy :

Regd. Folio No. / *Client id :

*** Applicable for members holding shares in Electronic Form.**

Note : To be signed and handed over at the entrance of the Meeting Venue.

VIRINCHI TECHNOLOGIES LIMITED

Regd. Office :10, SRK Colony, West Maredpally, Secunderabad – 500 026

PROXY FORM

Regd. Folio No.	<input type="text"/>	SI .No.	<input type="text"/>
		No. of Shares held	<input type="text"/>

I/We of in the district of

being a member(s) of the above named company hereby appoint of

..... in the district ofor failing

him..... of in the district of

..... as my/our proxy to vote for me/us on my/our behalf at the 14th Annual General

Meeting of the Company to be held on Wednesday the 29th September 2004 at 11.00 A.M. or at any

adjournment thereof.

Signed this day of2004

Affix Re. 1/- Revenue Stamp

Signature

Note: The proxy form duly complete should be deposited at the Registered Office of the Company not less than Forty Eight Hours before the time fixed for holding the meeting.